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ATTORNEY GENERAL DARRELL MCGRAW COMPLETES BID-RIGGING SETTLEMENT WITH ZURICH AMERICAN INSURANCE COMPANY

Zurich American Insurance Co. implements business reforms

Attorney General Darrell McGraw filed a complaint against Zurich American Insurance Company today, along with an agreed order which implements a variety of business reforms as part of a multi-state antitrust settlement reached in March. The court filings today allege Zurich and its U.S. subsidiaries participated in a widespread bid-rigging scheme in the commercial insurance market orchestrated by Marsh & McLennan and other large commercial insurance brokers. These companies, including several other large international insurers, conspired to increase premiums for insurers and commissions for brokers. The agreed final judgment filed today by West Virginia and ten other states resolves those allegations as to Zurich.

The agreed order contains comprehensive injunctive provisions that will prevent future marketplace abuses regarding contingent commissions. Zurich is prohibited from engaging in any of the practices that resulted in the violations at issue for a period of ten years. Zurich will also pay the investigating states \$20 million for past and future attorneys' fees, payments in lieu of civil fines and reimbursement of investigative costs.

"This settlement will bring greater transparency and fairness to insurance markets in West Virginia as well as across the country as a result of the reforms agreed to by Zurich," said Attorney General McGraw. "The result of this settlement will ensure that this kind of bid-rigging will not happen again."

In a companion settlement of a class action lawsuit in federal court in New Jersey, Zurich agreed to distribute at least \$121.8 million in refunds to its policyholders. The New Jersey federal court preliminarily approved this payout early last month.

Pursuant to the terms of the agreed order, Zurich agrees that all compensation paid to commercial brokers and agents will be disclosed to customers on a secure website or by a toll-free telephone number. The compensation disclosure includes both standard insurance commissions paid by policyholders and any form of commission (contingent, profit sharing, etc.) paid by Zurich to the broker for placing that customer's business.

The other states participating in the investigation and settlement include California, Florida, Hawaii, Maryland, Massachusetts, Michigan, Oregon, Pennsylvania, Texas, Virginia and Florida insurance regulatory agencies.

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